

591—12.1(455G) General policies and loan terms. The following general policy issues and terms shall apply to guaranteed loans:

12.1(1) Amount of loan. There is no maximum amount of a loan subject to the UST fund's guaranty.

12.1(2) Loan maturities. The loan guaranty shall automatically terminate at loan maturity, unless the loan is in default or bankruptcy at that time, or on the date that the loan is paid in full, whichever occurs first.

12.1(3) Variable rate or fixed rate loan. Loans may have either a variable or fixed rate of interest that shall be mutually determined by the lender and borrower. Variable rate loans shall be adjusted according to the terms of the loan agreement and promissory note. However, variable rate loans shall not be adjusted upward more than 100 basis points per year or the maximum rate defined in subrule 12.1(4), whichever is lower.

12.1(4) Interest rate structure. The following interest rate structure represents the maximum allowable rate for all guaranteed loans:

- a. 90% loan guaranty Local prime + 100 basis points
- b. 80% loan guaranty Local prime + 125 basis points
- c. 70% loan guaranty Local prime + 150 basis points
- d. 60% loan guaranty Local prime + 175 basis points
- e. 50% loan guaranty Local prime + 200 basis points

Local prime is defined as the interest rate charged the lender's most creditworthy customers. In no instance shall the local prime interest rate exceed the national prime interest rate, as published in the Wall Street Journal on the date that the guaranteed loan is approved, by more than 100 basis points.

Lenders charging interest rates in excess of this structure on any loan may have the loan guaranty terminated.

12.1(5) Guaranty charges. Guaranty charges are not permitted on loans guaranteed by the UST fund.

12.1(6) Prepayment penalties. Prepayment penalties are not permitted on loans guaranteed by the UST fund.

12.1(7) Late penalty fees. Additional penalty fees not to exceed 1.5 percent of the delinquent installment(s) may be charged monthly.

12.1(8) Sale or participation of guaranteed loans. Sale of loans guaranteed by the UST fund is not permitted.

12.1(9) Collateral release. The lender shall not release any collateral securing the loan without written permission from the UST fund administrator.

12.1(10) Collateral subordination. The lender shall not subordinate any collateral securing the loan without written permission from the UST fund administrator.

12.1(11) Causes for termination of loan guaranty. The loan guaranty may be canceled at any time for the following causes:

- a. Failure to exercise due diligence in disbursing guaranteed loan proceeds per subrule 12.2(2).
- b. Charging interest rates in excess of the maximum allowable per subrule 12.1(4).
- c. Failure to notify the UST fund administrator in writing that a loan is in default per the loan default definition in 12.4(2) "b."
- d. Failure to perform with due diligence in complying with any applicable loan closing requirements.
- e. Failure to perform with due diligence in complying with the loan servicing responsibilities of rule 12.3(455G).
- f. Fraud or misrepresentation by the lender regarding the policies, procedures, and forms of this program.

If the UST fund administrator has cause to terminate the loan guaranty, written notification outlining the cause of termination shall be given to the lender. The lender shall then have ten business days to respond to the termination notification. Should such response outline an acceptable resolution to the condition causing termination, the administrator shall notify the lender of the administrator's approval of the plan to resolve the condition. Should the response, in the view of the administrator, not adequately address the condition, the guaranty shall be terminated. If no written response is received in ten business

days, the guaranty is terminated. If the lender finds that the termination is unwarranted, the lender may pursue any administrative remedy as outlined in Iowa Code chapter 17A.

12.1(12) *Loan assumption.* Loans guaranteed by the UST fund shall not be assumed without prior written approval of the UST fund administrator.